RJ Reynolds Tobacco Company

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To: All Retail Divisions With Responsibility For Hess Mart, Hess Co-Op, and Hess West Coast (Pick Kwik) Stores

Chain ID's: 0353-02-01 through 08
0353-03-01 through 08
0920-00-00

Subject: **Amerada Hess Corporation**
1998 AIM Results
1998 1st and 2nd Quarter Promotions

We had an excellent year with Hess. I'd like to take the time to share some very impressive results with each of you:

Hess Mart

- Average weekly industry sales increased 17.5% 1st Quarter 1997 to 4th Quarter. (4th Quarter average weekly sales were 322 cartons per store). RJR's average weekly sales increased 42% (69 cartons weekly to 98).
- RJR's share of market showed a gain of + 5.4% (25.2% 1st Quarter 1997 to 30.6% 4th Quarter 1997). Our share of Branded Savings showed a .8% increase during the same period. Our Full Price business increased from 13.5% to 16.2%.
- Signature now has a 9.0% market share. This reflects a 2.2% gain from 1st Quarter.
- Philip Morris total market share declined from 53.2% (1st Quarter) to 50.6%.

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Source: https://www.industrydocuments.ucsf.edu/docs/qgly0000

Hess Co-Op

- Average weekly industry sales increased 17.3% (+ 21 cartons weekly). RJR's average weekly sales increased 56.5% (+ 12 cartons weekly).
- RJR's share of market showed a gain of + 5.4% (18.4% 1st Quarter to 23.8% 4th Quarter). Our Full Price share increased 2.0%, and Branded Savings increased +.2%.
- Signature now has a 7.0% market share. This reflects a + 3.2% gain from 1st Quarter 1997.
- Philip Morris total market share declined 56.4% to 53.5%.

Hess West Coast (Pick Kwik)

This Chain was purchased in August from an independent owner who had signed a Philip Morris Exclusive Contract in January 1997. Due to the extremely high sales which the Chain initially experienced from extensive Marlboro promotion, Hess was hesitant in converting to the *Industry Approach*. However we were successful in convincing Hess Executives that the *Industry Approach* was the best direction to take for the balance of 1997 and beyond. Here are the results of that decision:

- Average weekly industry sales increased + 7.3% (+ 27 cartons weekly). RJR's average weekly sales increased + 113% (+ 70 cartons).
- RJR's share of market showed a gain of + 17.9%. Full Price gained + 1.9%, and Branded Savings increased + 4.7%.
- Signature has a 11.3% market share. Keep in mind that this Brand was placed in stores in early September.
- Philip Morris total market share has declined from 69.7% to 53.6%!

Needless to say that Hess is extremely pleased with six month results from their decision to use the *Industry Approach* with this group of stores. Overall category sales have increased, new shoppers have been brought in to stores due to Signature, and the promotion of the total category versus promotion of one manufacturer's brand. As a result total store sales have increased significantly.

Gold Ring Tobacco Shops

These CTS Stores have recently opened in Elmira Heights and Fairmount NY, and Bethlehem, PA. During 1st Quarter 1998 openings are scheduled for Allentown, PA, and Clewiston, FLA. All stores employ the *Industry Approach* with merhandisers, advertising, and promotion from all Manufacturers.

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The above results are reflective of a collective effort....initial sales presentations at Hess Headquarters.....follow-up presentations at Hess Division Level.....and finally execution by each of you at store level.

1998 Advertising

During 1998 you will begin to see the conversion of all permanent advertising (neon signs, ground mounts, clocks, etc.) to promotion pieces featuring all Manufacturers Brands, made by Hess's advertising agency, rotated on a monthly basis. As an example during February Salem and Kool will be featured, with Winston and Marlboro featured during March. Again, this provides a *level playing field* with regard to advertising in all locations. This advertising is sent directly to each store in a special kit prior to the beginning of each month. It's extremely important that you ensure that stores place all pieces of our advertising. As you make your regular sales call, please make sure that this is happening. If stores do not receive their kit, have Store Managers call Kathy Strype at 732-750-6158. She will send a replacement kit.

It's been a great year, thanks for your help!

Attached please find 1st and 2nd Quarter Promotional Calendars.

Nick Kuruc

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Source: https://www.industrydocuments.ucsf.edu/docs/qgly0000